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Means of implementation for sustainable forest management

Finance and other means of implementation for sustainable forest management

Report of the Secretary-General**

Summary

The United Nations Forum on Forests has recognized that financing for sustainable forest management is currently not adequate. Thus, for the effective implementation of the non-legally binding instrument on all types of forests (the forest instrument), which was adopted by the General Assembly in 2007, new thinking and bold decisions are needed on forest finance and other means of implementation. Although most countries rely on domestic sources for funding for sustainable forest management activities, official development assistance (ODA) is critically needed in most developing countries and countries with economies in transition. There are serious gaps in ODA and external private sector financial flows to forests, both geographically and thematically. Without addressing these gaps and dedicating specific means and resources to sustainable forest management, it will be a serious challenge for many developing countries to effectively implement the forest instrument.

The present report is built on the outcome of the Forum's Open-ended Ad Hoc Expert Group to Develop Proposals for the Development of a Voluntary Global Financial Mechanism/Portfolio Approach/Forest Financing Framework and its follow-up survey of the views of Member States and major groups. The report recommends the Forum to consider strengthening the forest financial architecture with some concrete components.

* E/CN.18/2009/1.

** The present note was submitted with delay because of the need for updated information.

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The report also presents an overview of and recommendations on other means of implementation, namely, capacity-building, the transfer of environmentally sound technologies, awareness-raising, education and information-sharing on forests, which are equally important for the implementation of the forest instrument and promoting sustainable forest management worldwide.

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I. Introduction

Mandate

1. The present report is prepared to facilitate deliberations on provisional agenda item 6 of the agenda of the eighth session of the United Nations Forum on Forests (see Economic and Social Council decision 2007/277), which includes two sub-items: (a) applying means of implementation, including financial resources, capacity-building and the transfer of environmentally sound technology; and (b) decision on a voluntary global financial mechanism, a portfolio approach and a forest financing framework.

2. It should be noted that, according to the Forum's multi-year programme of work, sub-item (a) will be a recurring "cross-cutting issue" for each session. The specific mandate in Economic and Social Council resolution 2007/40 calls for consideration and decision by the Forum on a voluntary global financial mechanism/portfolio approach/forest financing framework for all types of forests. Thus the report is prepared in two sections. The report on sub-item 6 (b) on finance is presented in section II, followed by section III, on sub-item 6 (a), on other elements of means of implementation (capacity-building, transfer of environmentally sound technologies, awareness-raising, education and information-sharing).

3. It should also be noted that all elements of means of implementation, listed in the multi-year programme of work, are intricately related to each other. For example, technology transfer generates capacity-building in terms of knowledge, skills, education and training, and information. The mobilization of financial resources enables technology development and transfer; brings changes in institutional and managerial skills, ability to invest in capacity-building (training, etc.), and information-sharing systems, education and training, and awareness-raising activities. Likewise, raising awareness creates impetus for more actions, advocacy and mobilization of resources as the public demands certain types of interventions.

II. Financing for sustainable forest management

A. Background

4. Financing for sustainable forest management has been a critical issue throughout the Forum deliberations. Its prominence is obvious from the fourth global objective on forests, which specifically focuses on financing for sustainable forest management in order to achieve the other three objectives. Moreover, Economic and Social Council resolution 2006/49 provides further and broader guidance on enhancing funding potentials from all sources and specifically urges countries to assess and review the current funding mechanisms, including, if appropriate, the possibility of setting up a voluntary global funding mechanism as a contribution towards achieving the global objectives and implementing sustainable forest management. The Council, by its resolution 2006/49, also invited the member organizations of the Collaborative Partnership on Forests (CPF)[1] to take various

[1] The Collaborative Partnership on Forests is comprised of 14 international organizations: Centre for International Forestry Research (CIFOR); Food and Agriculture Organization of the United Nations (FAO); International Tropical Timber Organization (ITTO); International Union

actions aimed at supporting developing countries and countries with economies in transition in accessing additional national and international funding.

5. In order to facilitate the work of the Forum at its eighth session, pursuant to the provisions of Economic and Social Council resolution 2007/40, the Open-ended Ad Hoc Expert Group to Develop Proposals for the Development of a Voluntary Global Financial Mechanism/Portfolio Approach/Forest Financing Framework was convened in Vienna, from 10 to 14 November 2008 (the "Finance Expert Group").[2] At the request of the Secretariat, the Collaborative Partnership on Forests decided to launch the Advisory Group on Finance in December 2007, to support the preparations for the Ad Hoc Expert Group. The Advisory Group conducted two analyses: (a) an update of the Collaborative Partnership on Forests Sourcebook[3] on Funding for Sustainable Forest Management along the lines of the non-legally binding instrument on all types of forests; and (b) an analysis of financial flows and needs to implement the forest instrument,[4] including identifying gaps (also referred to as a "mapping exercise").

6. Before the convening of the Finance Expert Group, a country-led initiative, co-hosted by the Governments of Suriname, the Netherlands and the United States of America, on the same theme was held from 8 to 12 September 2008, in Paramaribo. It explored, inter alia, the concept of a "portfolio approach", one of the options contained in Economic and Social Council resolution 2007/40, and other emerging opportunities, mainly in the area of a climate change regime.[5]

7. As regards financing for sustainable forest management, the note by the Secretariat, prepared for the Finance Expert Group, provides relevant information and policy issues.[6] The mapping exercise and the Collaborative Partnership on Forests Sourcebook update by the Advisory Group on Finance provide detailed data and analyses on current financial flows and their distribution. Thus, it is recommended that those documents be referred to in conjunction with the present report.

B. Current forest financing architecture

8. Financing for sustainable forest management is not adequate, particularly in many developing countries. Funding is required for a wide gamut of forest management activities related to information, planning and silvicultural operations, as well as sustainable harvesting, processing and marketing. Furthermore, funding is

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of Forest Research Organizations (IUFRO); Secretariat of the Convention on Biological Diversity (CBD); Secretariat of the Global Environmental Facility (GEF); Secretariat of the United Nations Convention to Combat Desertification; United Nations Forum on Forests Secretariat; Secretariat of the United Nations Framework Convention on Climate Change; United Nations Development Programme (UNDP); United Nations Environment Programme (UNEP); World Agroforestry Centre (ICRAF); The World Bank; and International Union for Conservation of Nature (IUCN).

[2] See E/CN.18/2009/11.

[3] http://www.fao.org/forestry/cpf-sourcebook/en/.

[4] Markku Simula, "Financing flows and needs to implement the non-legally binding instrument on all types of forests" (see www.un.org/esa/forests/pdf/aheg/finance/AGF_Financing_Study.pdf).

[5] Report of the country-led initiative in support of the Forum on financing sustainable forest management (2008) (see www.clisuriname.com/smartcms/default.asp).

[6] See E/CN.18/2008/2.

needed for education, human resources management, research and technology development, market development, downstream processing, strengthening of legal, policy and institutional frameworks and capacity-building, among other needs.

9. Forest financing sources can typically be categorized as public and private, domestic and international (see table 1); hence the financing architecture for sustainable forest management is broadly based. The majority of financing for forests comes from domestic sources, both public and private.

10. While private sector actors generally mobilize financial resources on their own for operations specific to their areas of interest and competence, the public sector has to provide upfront investments for many activities of sustainable forest management; for policy, legal and institutional support (including research, extension services and provision of direct and indirect incentives); and for ensuring sustained delivery of public goods from forests (including emission reduction, clean water, conservation of soil, wildlife and other forest ecosystem services, recreation, etc.).

11. The latest estimate of total ODA flow to forests is for 2005-2007, at around $1.9 billion per year, which is an increase of about 48 per cent over the data for 2000-2002. However, that increase was primarily due to one bilateral donor source (Japan, which included bilateral loans and credit in its data); without it, the total bilateral ODA would have declined by about 9 per cent.

12. Private foreign direct investment (FDI) flows to forest industries in developing countries amounted to about $0.5 billion per year in 2003-2005. However, the foreign-induced investment is substantially higher, as local financing of investment projects in foreign-owned projects is common in some key countries. As a consequence, the FDI stocks in the wood and paper industries in developing countries increased, reaching an estimated value of $17.8 billion in 2005.

13. In consideration of approaches to enhance financing for sustainable forest management, the following information is highly relevant:

- Country demand for official development assistance for forests (e.g., requests for forest ODA by the recipient countries) is relatively weak, despite the fact that the majority of developing countries need such ODA for sustainable forest management; this seems to be due to various reasons, most notably that forests are not high on national political and development agendas.
- Although most developing countries have been receiving some ODA for forests, its distribution has remained uneven, showing major geographic and thematic gaps. It is notable that only 10 developing countries[7] have been receiving two thirds of total forest ODA, while no funding has been reported for about 30 countries.
- South and South-East Asia have the highest donor presence, followed by Central and South America. On the other hand, Africa as a whole and Western and Central Asia have relatively low levels of donor financing for forests.

[7] Bolivia, Brazil, Cameroon, China, Colombia, Honduras, India, Indonesia, United Republic of Tanzania and Viet Nam.

- Many low forest cover countries do not receive significant external support. Many small or medium-sized countries with relatively large forest cover have received only limited external support.
- Some developing countries with high deforestation rates (above 1 per cent per year) have significant donor presence, while others with similar problems have a limited or complete absence of donor presence (e.g., Comoros, Mauritania, El Salvador and Myanmar).
- Many countries with high or medium forest cover have only a limited presence of external financing agencies (e.g., Angola, Republic of the Congo, Equatorial Guinea, the Democratic People's Republic of Korea, Gambia, Guinea-Bissau, Timor-Leste, and Trinidad and Tobago).
- With few exceptions, small island developing States do not receive any support for forests, although their importance in the maintenance of biodiversity, watershed protection and adaptation to climate change is critical.
- Financing forest restoration is a major gap, particularly in arid and semi-arid regions owing to their low competitiveness for production of timber and non-timber forest products.
- Sources of funding to support sustainable forest management are severely fragmented. A considerable share of forest ODA and other semi-public sources (NGO, philanthropic sources) goes to capacity-building and forest protection, whereas external funding for forests outside protected areas is limited by comparison.
- The forest instrument covers the full suite of activities in support of sustainable forest management, but there is no single fund that covers the full set of measures.
- Private sector financing tends to go to areas where silviculture and enabling conditions are favourable. Foreign private sector investment goes mostly to productive fast-growing plantation forests in a small number of countries in Latin America and Asia. Foreign investment in natural forest management (standing forests) are concentrated in a limited number of forest-rich countries in the Congo basin, the Amazon basin and South-East Asia, although even these sources are relatively recent. Foreign-owned industrial facilities are located more in Asia and Latin America, and Africa is clearly lagging behind.

C. Building blocks for a financing architecture for sustainable forest management

State of the current debate on forest financing architecture

14. The discussions during the meeting of the Finance Expert Group highlighted that the three options contained in Economic and Social Council resolution 2007/40 (i.e., global financial mechanism, portfolio approach and forest financing framework)[8] are essentially three complementary components of a holistic forest financing architecture. Several experts felt that a portfolio approach is already

[8] The note by the Secretariat on financing for sustainable forest management described the possible attributes of those three terms (see E/CN.18/2008/2, paras. 60, 62 and 64, respectively).

inherent in the current finance architecture and that new financing mechanism(s) and fund(s) could be created, if deemed necessary.

15. The deliberations of the Finance Expert Group identified two main options for strengthening the forest financing architecture: a dedicated fund for sustainable forest management and a facilitative mechanism. Several experts emphasized that a dedicated fund would provide a much needed competitive edge to address the gaps in financing sustainable forest management, while others proposed a "facilitative mechanism", with the aim of enhancing coordination among and effectiveness of existing and future funding sources and mechanisms, as well as mobilizing more resources for the implementation of the forest instrument and sustainable forest management. It was also noted that these two options are not mutually exclusive. This view was also reflected in some inputs received from Member States and major groups in the post-Finance Expert Group survey of views of financing options, their modalities and other operational aspects.

16. At the time this report was finalized, 21 responses[9] had been received from 18 individual Member States, the European Union (on behalf of 27 member countries) and two major groups. While some responses were very specific regarding their preferences and provided justifications, others were less so. Some either indicated one option at one place (e.g., a facilitative mechanism), but subsequent responses hinted a preference for another (e.g., a dedicated fund). Some others either expressed the view that there was no single approach to financing sustainable forest management or that they do not have a strong view on either option (dedicated fund or facilitative mechanism).

Addressing the gaps and constraints

17. Owing to great variation in local conditions, estimating financing needs for implementing sustainable forest management is difficult at best. The most detailed effort to assess financing needs for the forest sector has been carried out by the United Nations Framework Convention on Climate Change secretariat in 2007, which concluded with an indicative estimate of $21 billion per year for developing countries.[10] This estimate takes into account only the climate change mitigation aspect of forests, not what is required for the holistic implementation of the forest instrument, which covers all aspects of sustainable forest management. Nevertheless, this estimate is useful for understanding the order of magnitude of the global need.

18. The inadequacy of financial resources is due to multiple factors. There are a number of gaps in terms of thematic and geographical coverage in the flow of forest ODA and external private finance. Some funding gaps are owed to the specific or otherwise narrow scope of individual funding mechanisms or sources (e.g., biodiversity conservation, carbon) that do not cover all aspects of sustainable forest management, nor use it as an integrating concept to enhance all forest benefits. Many other funding gaps are due to the relatively small magnitude of the funds available. Some of these gaps could be partly bridged by better coordination and more efficient utilization of existing sources and mechanisms, and by improving

[9] For original text and details of responses see http://un.org/esa/forests/adhoc-SFMfinance.html.

[10] Investment and financial flows to address climate change, United Nations Framework Convention on Climate Change (October 2007) (see http://unfccc.int/resource/docs/publications/financial_flows.pdf).

the enabling environment and the capacity of recipient countries. However, there are major gaps that would need increased financial resources both from domestic and external sources in order to achieve sustainable forest management.

19. As the "mapping exercise" noted, relatively few developing country poverty reduction strategies have forests mentioned in them; and the demand for official development assistance for forests is found to be weak. This could be addressed by aligning and prioritizing forests in their national development and poverty reduction strategies, but in practice this is often difficult due to competing priorities and the lack of adequate information on the potential for forests to contribute to the national development goals. These limiting factors a priori constrain public resource allocation for forests, both from domestic and external sources. For that reason, a number of experts at the meeting of the Finance Expert Group stated the view that forests need their own dedicated global fund so that adequate funding for sustainable forest management can be assured. From a broader national development strategy, it should also be noted that getting a higher priority for the forest sector should result in an increase in overall ODA. Otherwise, it may as well be a re-distribution of ODA resources at the cost of other equally important national priorities, such as health and education. This may not be a desirable option for many countries.

20. The "mapping exercise" has identified specific activities that need funding as a priority to help attain sustained financing for forests in the long term. Those activities (see table 2) include initial and continued mainstreamed investments. These upfront investments and sound management practices, the analysis postulated, would eventually in the long term help reach the state of self-financing for sustainable forest management through the sustained income-earning capability from two main sources: ecosystem services and forest products.

Implementation of the forest instrument, the key to sustainable forest management

21. As has been well recognized, the concept of sustainable forest management is holistic and broader than the management, utilization or conservation of any one particular product or service. The forest instrument is the first ever comprehensive and action-oriented global strategy towards achieving sustainable forest management. This instrument grew out of the need of the international community to have a strategic framework that strengthens political commitment and action at all levels to implement effectively sustainable management of all types of forests and to achieve the shared global objectives on forests; enhances the contribution of forests to the achievement of the internationally agreed development goals, including the Millennium Development Goals; and provides a framework for national action and international cooperation.

22. This instrument contains specific actions, objectives, timelines and anticipated means for all relevant stakeholders at all levels. Therefore, it is important to devise necessary tools and mechanisms to deliver the commitments and actions contained in this instrument. To this end, catalysing the implementation of the forest instrument is the centrepiece of any decision on improving the financial architecture for sustainable forest management.

Linking with the emerging financing mechanisms in the context of climate change

23. Negotiations on climate change in the past few years spurred new interest in forests as a means for mitigating greenhouse gas emissions. Decision 2/CP.13, of the thirteenth Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Bali in December 2007, relating to reducing emissions from deforestation and forest degradation in developing countries (REDD), has the potential for generating substantial financial resources for certain activities in the forest sector. The twenty-ninth session of the Subsidiary Body for Scientific and Technological Advice (SBSTA), held during the fourteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2008, further discussed this matter and agreed on a set of actions, including studies and inputs from Parties on methodological and other issues, so that a decision on how this potential can be tapped is yet to be made in Copenhagen later this year.

24. Several new financing initiatives in the context of the forest-climate change link have been recently launched with concrete financing components. The World Bank has established the Forest Carbon Partnership Facility to help reduce emissions from deforestation and degradation and to help build capacity for REDD activities. The Facility will test incentive payments in 25 pilot developing countries, operating through its Readiness Fund, which will build capacity, and its Carbon Fund, which will support performance-based payments for realizing emission reductions. The target capitalization is at least $300 million, of which about $155 million from nine countries has already been pledged.

25. The Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) have launched the joint United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries as a collaborative effort to provide coordinated technical assistance in REDD capacity-building to pilot-developing countries. With Norway as the major donor, the United Nations Collaborative Programme will have a portfolio of $35 million and will aim to generate the requisite transfer flow of resources to significantly reduce global emissions from deforestation and forest degradation. The immediate goal is to assess whether carefully structured payment structures and capacity support can create the incentives to ensure actual, lasting, achievable, reliable and measurable emission reductions while maintaining and improving the other ecosystem services forests provide.[11]

26. As a measure for the mitigation of forest-based emissions, enhancement of forest carbon sequestration and adaptive capacity, the World Bank is currently developing a Forest Investment Programme, which is intended to address the key gaps of financing of sustainable forest management in existing and emerging instruments for REDD. The main purpose of the Forest Investment Programme is to support REDD efforts of developing countries, and providing upfront bridge financing for readiness reforms and investments identified through national REDD readiness strategy-building efforts, while taking into account opportunities to help

[11] See www.undp.org/mdtf/un-redd/overview.shtml.

them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation and rural livelihoods enhancements. The design process is expected to be completed by May 2009, which will also review related developments in other forums, including the United Nations Forum on Forests. The targeted amount of funding for the proposed Forest Investment Programme is $500 million.

27. In this regard, it would be relevant to take into consideration these new and emerging financing mechanisms related to payment for ecosystem services, in particular those related to climate change. However, it should be underscored that climate change-related financing mechanisms are at different levels of development and applicability to different countries and are highly unlikely to address all the gaps and constraints of financing for the implementation of the forest instrument.

28. In the meanwhile, the Forum could consider ways of improving coordination and cooperation with the climate change process in order to more effectively utilize such mechanisms to advance a mutually supportive agenda for climate change and sustainable forest management.

Attracting financial resources from the private sector for sustainable forest management

29. Financing, by its nature, is a competitive endeavour whether in the public or private arena. Investment flows are greater where financial or societal rewards (pay-offs) are higher, and uncertainties are lower. Competitive areas for investment include an enabling environment with strong policy, legal, institutional and fiscal frameworks; capacity for effective law enforcement; and other measures for enhancing national investment attractiveness. This is particularly true for attracting external private capital for sustainable operations in the forest sector. Issues of absorptive capacity for ODA, aid effectiveness and a certain level of guarantees for private and external public investments have remained as critical impediments to the inflow of capital into sustainable forest management in many countries. As many past conclusions and resolutions of the Forum have highlighted, there is an urgent need to demonstrate and mainstream the significant role of forests in national development priorities and strategies.

30. Any effort to encourage private sector financing for sustainable forest management activities and in the associated downstream processing and trade would need to recognize and address both the constraints experienced by different types of private actors and sources and mechanisms to maintain and enhance public goods from forests. For this, policy and market changes would be needed to increase the profitability and reduce the risks of investments in sustainable forest management practices while increasing private sector investment risks for the unsustainable exploitation of forests.

A critical context in 2009: the current global financial crisis

31. The year 2008 witnessed an unprecedented global financial meltdown, the worst seen since the Great Depression of the early twentieth century.[12] According to the International Monetary Fund (IMF) forecast of 28 January 2009, world growth is projected to fall to 0.5 per cent in 2009, its lowest rate since the Second World War. Growth in emerging and developing economies is expected to slow sharply from 6.25 per cent in 2008 to 3.25 per cent in 2009, under the drag of falling export demand and an absence of financing, lower commodity prices, and much tighter external financing constraints (especially for economies with large external imbalances).[13]

32. Despite stimulus actions by major industrialized governments, recovery from this crisis seems that the world is in for a long haul. Together with the food crisis, this global financial crisis will most likely substantially set back progress towards the achievement of the Millennium Development Goals, in particular poverty eradication. The tightening access to credit and weaker growth will cut into public revenues and limit the ability of developing country governments to make the necessary investments in natural resources, education, health and other human development. Loss of jobs would force people to forage in forests for food, protein, energy and land, thus further exacerbating pressure on forests, other natural resources and the environment. Furthermore, increases (or even continuation at the current level) in ODA from donor countries also seems unlikely in the near future. This will reflect on ODA for forests as well.

Being realistic, getting on the right track and adopting a pragmatic approach

33. Being realistic means acknowledging that countries, in particular developing countries, lack adequate financing for sustainable forest management and that the estimated financing needs as mentioned in this report are beyond the capacity of the international community in the short or medium term. However, that does not mean that action should not be taken. In order to be a progressive realist, the Forum needs to take concrete and meaningful steps on this issue at the current session, mobilize increased financing from existing sources, utilize existing mechanisms and explore the possibility of new financing and funds.

34. To seize the political momentum generated by the adoption of the forest instrument, the Forum is at the right juncture to address the long-standing debate on financing sustainable forest management with a reasonable, practical and modest beginning. It is obvious that financing sustainable forest management is an evolving and long process that requires collaborative planning, and sustained and systematic efforts by all stakeholders at all levels. Nevertheless, in order for the Forum to effectively review the implementation of the forest instrument, within the limited timeframe of the its multi-year programme of work (2007-2015), a decision on this issue must be taken at this session. This decision should devise concrete actions that address both short-term and long-term measures by the Forum on financing sustainable forest management. Such a decision by the Forum would demonstrate

[12] *World Economic Situation and Prospects 2009* (United Nations publication, Sales No. E.09.II.C.2) (New York, 2009); available at www.un.org/esa/policy/wess/wesp.html.

[13] International Monetary Fund, "Global Economic Slump Challenges Policies", *World Economic Outlook Update* (28 January 2009); available at www.imf.org/external/pubs/ft/weo/2009/update/01/pdf/0109.pdf.

the strong desire of the international community to implement the forest instrument agreed to by all 192 countries of the United Nations. It will also ensure that we are on the right track towards finding a reliable and lasting solution to this matter.

Shaping a facilitative mechanism to catalyse the implementation of the forest instrument

35. Bilateral and multilateral development assistance programmes relevant to different aspects of sustainable forest management from donor sources exist in varying forms, scope and magnitude. However, the missing chain is a platform and mechanism that catalyses the implementation of the agreed actions in the forest instrument. A facilitative mechanism could provide such a platform, which could also help in exchange of information. It could help link sources and beneficiaries, contribute to cooperation and coordination, and mobilize new and additional financing from all sources, including the private sector, to advance the implementation of the forest instrument.

36. The facilitative mechanism ideally should have sufficient resources in order to catalyse the implementation of the forest instrument and thereby address serious gaps in sustainable forest management financing. However, to start its work immediately, it would need "seed money", for example, within the Forum trust fund.

37. The facilitative mechanism should be innovative and act as an efficient vehicle to integrate the concepts of the portfolio approach, emerging sources and mechanisms, and dedicated funds, and also create a new momentum to enhance the capacity of countries to implement the forest instrument. Meanwhile, the mechanism should also have the built-in flexibility to link with any other relevant mechanisms, including climate change-related mechanisms; for example, that of the soon-to-be-established Forest Investment Programme of the World Bank.

38. The members of the Collaborative Partnership on Forests are in a unique position to benefit from this mechanism in order to further support countries in building capacity for sustainable forest management and effectively implement the forest instrument, including through further development and implementation of national forest programmes.

39. The facilitative mechanism should start its activities immediately after the present session and work intersessionally. This would allow the Forum, at its next session, to review the initial outcomes of the work carried out by the mechanism, and to provide further guidance for its future work.

D. Conclusion and recommendations on financing for sustainable forest management

Conclusion

40. **This report underlines the three fundamental points about financing sustainable forest management: (a) there are numerous funding sources relevant to forests (some specifically for the forest sector, while others have windows for financing forests, e.g., biodiversity conservation); (b) financing is currently inadequate in most developing countries and countries with economies in transition; and (c) there is no specific funding dedicated exclusively to promoting management, conservation and sustainable**

development of all types of forests and to implementing the newly adopted forest instrument. These factors should be the basis for any consideration in further developing or reforming the forest financing architecture.

Recommendations

41. **The Forum may wish to:**

(a) Recognize the insufficiency of the current funding for sustainable forest management, in particular, for the implementation of the forest instrument;

(b) Stress that financing sustainable forest management contributes extensively to the achievement of the Millennium Development Goals and the global efforts to fight climate change, combat desertification, and protect the Earth's biodiversity, along with other numerous benefits for the betterment of the livelihoods of the people across the globe;

(c) Underscore the relationship between the food and financial crises and the achievement of sustainable forest management;

(d) Emphasize the urgent need to allocate specific funding for the implementation of the forest instrument and the global objectives on forests therein;

(e) Call for maximizing the synergy and effective cooperation among existing and new initiatives and partnerships on sustainable forest management, and in particular with the member organizations of the Collaborative Partnership on Forests;

(f) Invite relevant intergovernmental processes and institutions, in particular the United Nations Framework Convention on Climate Change and the World Bank, to make sure that the final outcomes of their works, including on REDD and the Forest Investment Programme, reinforce the implementation of the forest instrument, including its global objectives on forests, and are consistent with the goals of the sustainable forest management;

(g) Decide to establish, under the auspices of the Forum, a facilitative mechanism to catalyse the implementation of the forest instrument with dedicated funds;

(h) Decide further that the functions of the facilitative mechanism include:

(i) enhancing coordination and coherence among relevant funding sources and mechanisms to catalyse the implementation of the forest instrument at all levels;

(ii) identifying new and additional financial resources from all sources, and exploring investment opportunities and funding, including a portfolio approach and the creation of targeted financial mechanisms/funds for the implementation of the forest instrument;

(iii) encouraging the development of strategies to outline short, medium and long-term planning for achieving sustainable forest management;

(iv) promoting partnerships and joint programmes with a variety of stakeholders to foster the implementation of the forest instrument;

(v) further encouraging participation of multiple stakeholders, including the private sector, local and indigenous communities and NGOs, in sustainable forest management activities;

(vi) giving due regard to the needs of groups of countries and regions with serious forest management challenges and financial constraints, for example, Africa, low forest cover countries, small island developing States and high forest cover countries with low deforestation;

(vii) promoting international cooperation, including North-South, South-South and triangular cooperation to advance the implementation of the forest instrument;

(viii) enabling the Forum to provide policy advice to a sustainable forest management-related funding mechanism, such as the World Bank Forest Investment Programme;

(i) Decide also to start the work of the facilitative mechanism, immediately following the eighth session, and to review the initial results of its intersessional work at the ninth session of the Forum, with a view to taking further measures to improve the functioning of the mechanism;

(j) Request the Forum secretariat to take necessary steps to implement this decision;

(k) Invite the Collaborative Partnership on Forests member organizations to support the work of the facilitative mechanism;

(l) Reiterate that in starting the work of this facilitative mechanism, the following considerations should be fully taken into account:

(i) contribution to the facilitative mechanism is voluntary; however, to perform its duties, the mechanism requires a solid funding basis for its immediate implementation;

(ii) the facilitative mechanism is not a policy-setting mechanism, and it functions under the authority and guidance of the Forum;

(iii) the important role of the Collaborative Partnership on Forests, including the Advisory Group on Finance, and the outcome of its work on gap analysis and financing should be recognized.

III. Other means of implementation for sustainable forest management

A. Capacity-building, transfer of environmentally sound technologies, awareness-raising, education and information-sharing on forests

42. The Intergovernmental Panel on Forests (IPF) concluded as early as 1997 that there existed an unprecedented accumulation of technological capability in the

world, including for forestry, but much of it remained largely unrecognized, underutilized and inadequately shared.[14] The Panel emphasized the need for the transfer of environmentally sound technologies in the forest sector to enable countries to manage, conserve and sustainably develop their forests. It also noted that new technologies are predominantly developed in the North and in the private domain, and emphasized the need for strengthening North-South cooperation in technology transfer under favourable (concessional) terms. It also recognized the importance of South-South cooperation and trilateral North-South-South cooperation. The Panel urged countries and organizations to formulate conducive policies and programmes, prepare inventories of the most appropriate forest-related technologies, develop improved forest information systems and capacity to utilize such information in the implementation of national forest programmes and sustainable forest management practices.

43. The Intergovernmental Forum on Forests (IFF) further reviewed at its fourth session the transfer of environmentally sound technologies and capacity-building issues.[15] It urged organizations to act as clearing house mechanisms for the transfer of environmentally sound technologies. It also noted the importance of human and institutional capacity-building; and the special need for rehabilitation technologies for critical areas, information-sharing and capacity-building and targeted outreach programmes for women.

44. National reports have repeatedly identified greater need of technologies in the following areas: (a) development of information management systems for sustainable forest management; (b) utilization of modern monitoring and assessment technologies, including remote sensing and geographic information systems and tools for early warning for specific threats, such as fire; (c) improved harvesting and silvicultural practices; and (d) more efficient wood processing and utilization technologies.[16] The Ad Hoc Expert Group on the Finance and Transfer of Environmentally Sound Technologies, convened in December 2003, identified a number of areas where the transfer of modern technology and knowledge are needed, including socially and environmentally sound management systems, remote sensing and geographic information system technologies, pulp and paper technology, bio-energy production technology and biotechnology development for a wide range of forest products, including non-wood products. Industry can provide assistance in addressing the competitiveness of environmentally sound technologies utilized in industrial applications.[17] The two county-led initiatives on transfer of environmentally sound technologies, one in Managua, in 2003, on mangrove forests and one in Brazzaville, in 2004, on general sustainable forest management also explored in detail the challenges and opportunities.

45. Economic and Social Council resolution 2006/49 highlighted several priority areas related to means of implementation. In addition to a strong call for financial resources and developing innovative financing mechanisms, the resolution called for greater support for scientific and technological innovation, the transfer of environmentally sound technologies, traditional knowledge and technologies, and capacity-building, building capacity of countries to significantly increase the

[14] See E/CN.17/1997/12.
[15] See E/CN.17/2000/14.
[16] See E/CN.18/AC.2/2003/3.
[17] See E/CN.18/2004/5.

production of forest products from sustainably managed forests and effectively combating illegal forest practices. The empowerment of stakeholders, especially local and forest-dependent communities, indigenous peoples, women, small-scale private forest owners and forest workers in sustainable forest management, was also underscored in the resolution.

46. The forest instrument further addressed different means of implementation. Reaffirming elements already contained in Economic and Social Council resolution 2006/49, the instrument further emphasized the need for capacity-building through education, training, extension programmes, and public awareness and sharing of information on sustainable forest management, best practices and lessons learned.

47. National reports received for the eighth session shed light on some of the country experiences in capacity-building, technology transfer, public awareness and education. A number of countries noted the importance of capacity-building and technology transfer in achieving sustainable forest management. As part of capacity-building, reforming and updating the legislative and policy frameworks have been undertaken by a number of countries. Countries affected by illegal trade in forest products have started adopting new technology in tracking timber movement and using third party verification of legality in some instances. Some countries highlighted education and training as part of enhancing capacity domestically as well as in international cooperation programmes. Countries that have national forest programmes have found them a useful framework for capacity-building.

48. At the international level, initiatives are being launched to support countries in building their capacity, in awareness-raising and in accessing relevant updated information. Noteworthy among these are the publication of the FAO Global Forest Resources Assessment, *State of the World's Forests*, the Collaborative Partnership on Forests Strategic Framework on Climate Change, Vital Forest Graphics (UNEP, FAO and the United Nations Forum on Forests secretariat), the web-based Collaborative Partnership on Forests Sourcebook on Funding for Sustainable Forest Management, and Global Forest Information Service. These and many other similar initiatives of other entities and processes, such as the Partnerships, NGOs and multilateral organizations, provide valuable information and a knowledge base for forest managers and stakeholders.

49. Public awareness and education were mentioned in several of the national reports. Formal forestry education is found in increasingly few specialized colleges and universities. The courses are increasingly being revised, with a focus on sustainability and related emerging aspects of forestry. Promoting awareness is critical in forestry, and for that reason countries are paying increased attention to informing, educating and engaging the public on many aspects of sustainable forest management. Some countries have in place a professional holiday with visible events, involving the broader community, especially the youth. Others run awareness campaigns, especially on forest fires and other forestry-related issues. Educational activities often include producing exhibitions, films, magazine articles and information materials and running visitor centres. In implementing these programmes, countries are resorting more and more to modern technology such as dedicated websites.

50. The General Assembly, by its resolution 61/193, decided to declare 2011 the International Year of Forests, which will provide a great opportunity to raise the awareness and profile of forests to the public.

51. At the regional level, partnerships such as the Asia Forest Partnership have been instrumental in sharing information and lessons learned among the governmental and other stakeholders in the regions. Since 2007, some regional forestry commissions have launched forestry weeks in conjunction with their biennial sessions as a means to share knowledge and experiences and build networks among forestry practitioners.

52. The preceding discussion on finance has identified key areas for capacity-building at different levels in developing countries. It should be noted that at the meeting of the Finance Expert Group many experts highlighted the importance of capacity-building as a prerequisite for effective action and sustainability. Members identified the needs for capacity-building in the following areas: understanding and making use of the various existing and emerging international instruments and initiatives; developing sound projects; coordinating activities based on different funding programmes; ensuring effectiveness in the use of funds; and effective stakeholder engagement, including indigenous and other forest-dependent peoples. These are generic areas that need to be strengthened urgently. One important emerging area where assistance is needed both in terms of technology transfer and capacity-building is forest-based carbon accounting, a subject of intense work in the context of the United Nations Framework Convention on Climate Change and REDD. Accordingly, any development of a financing architecture for sustainable forest management should effectively address the challenges of inadequate capacities of forest institutions.

B. Conclusion and recommendations on capacity-building, transfer of environmentally sound technologies, awareness-raising, education and information-sharing on forests

Conclusion

53. **Countries are in need of different types of means of implementation to achieve sustainable forest management and to effectively implement the forest instrument. Depending on the level of economic development, technological advancement, historic tradition and institutional framework, different countries have different inherent capabilities. As such, the needs vary among countries. Nevertheless, capacity-building, technological innovation and diffusion (development and transfer), information-sharing, education and awareness-raising are the key elements of means of implementation that are constantly evolving and always in demand.**

54. **Most of the means of implementation are intricately linked to the financing aspect of sustainable forest management, and any decision on a financial architecture for sustainable forest management would directly impact on the availability of these means of implementation.**

55. **The Forum and its predecessor process (IPF/IFF) have reviewed in great detail the state of play on those elements and developed a number of international policy measures, which are still valid. Nevertheless, the forest**

instrument provides a renewed impetus and a comprehensive framework for concerted and coordinated effort for capacity-building, technology development and transfer, education, information-sharing and awareness-raising activities, including through the Collaborative Partnership on Forests. It is also true that the implementation of the forest instrument presents a challenge to countries in mobilizing all kinds of means of implementation. A greater understanding of the delivery of means of implementation to countries in need is paramount at this stage. In this regard, consideration of a new financial architecture for forests is a timely development.

56. Special attention should be paid to the rapidly developing forest-climate change mechanisms such as REDD. National forest institutions and other stakeholders (forest owners, forest concessionaires, industry owners, and indigenous and local communities) have to rapidly strengthen their understanding and capacities to deliver forest carbon as a product (service) and perform related activities, including accounting, marketing and negotiations.

57. It should be noted that different actors, including Governments, multilateral organizations, the private sector and local communities, have different potentials and can play different roles in capacity-building, technology development and transfer, research, information-sharing and other implementation supports. The member organizations of the Collaborative Partnership on Forests have been playing and may continue to play a special role in these efforts.

58. The private sector (e.g., through foreign direct investment) is a potent source for technology transfer and capacity-building through the diffusion of newer technologies, management skills and knowledge. Such diffusion could take place among the private sector entities of all countries, developing and developed. Encouraging North-South, South-South and triangular cooperation and public-private partnerships may pave the way for technology and capacity-building processes.

59. Involvement of stakeholders at the national level is critical for sustainable forest management. Women in particular are crucial, as they are the ones who have to bear most of the brunt in collecting firewood and foraging for protein in forests in developing countries.

Recommendations

60. The Forum may wish to consider, inter alia, the following issues:

(a) Request the Forum secretariat, as part of the upcoming review in 2011, to analyse the implementation of the previous decisions on means of implementation in the Forum and its predecessor bodies;

(b) Encourage the Collaborative Partnership on Forests and its member organizations to implement the actions agreed to by the Forum;

(c) Encourage further collaboration and coordination among countries, research and educational institutions, non-governmental organizations and the private sector, with a view to further developing partnerships with countries in different regions (North-North, North-South, South-South and triangular cooperation);

(d) **Support further the development of concrete initiatives on capacity-building, the transfer of environmentally sound technologies, awareness-raising, education and information-sharing for the achievement of sustainable forest management;**

(e) **Request the members of the Collaborative Partnership on Forests, in view of the importance of forest carbon in the climate change equation, to intensify their work in capacity-building related to forest carbon accounting and reporting, within the context of sustainable forest management.**

Table 1
Overview of forest financing sources

	Financing sources	*Domestic*	*International*
Public	**Governments**	Investments by national and local governments through subsidies, soft loans, non-monetary incentives, direct investment	Bilateral ODA (grants, recoverable grants, concessional loans, etc.) Multilateral ODA institutions: World Bank/International Development Association, GEF, ITTO, FAO, UNEP, UNDP, Global Mechanism, regional development banks (grants, investment lending, investment guarantees) Multilateral targeted programmes: Program on Forests, Forest Law Enforcement and Governance, Consultative Group on International Agricultural Research, Bali Partnership Fund, national forest programmes (grants, co-financing)

	Financing sources	*Domestic*	*International*
			Multilateral financial institutions: International Finance Corporation, International Bank for Reconstruction and Development, regional developments banks
Private	**Forest industry**	Direct investments (including small and medium enterprises)	Foreign direct investment (FDI)
	Financial institutions and institutional investors	Short and long-term credit	Short and long-term credit
		Portfolio investment	Portfolio investment
		Targeted credits	Export credits
		Insurance and re-insurance	Guarantee instruments
			Insurance and re-insurance
	Philanthropic	Financial support to national NGOs and targeted beneficiary groups	Financial support to international NGOs and targeted beneficiary groups
	Conservation NGOs (self-financing)	Financial support to national NGOs and targeted beneficiaries (project funding)	Financial support to international NGOs (programme/project funding)
			Twinning arrangements
	Other NGOs and civil society organizations (self-financing)	Financial support to national civil society organizations and targeted beneficiaries (project funding)	Financial support to international civil society organizations (programme/project funding)
			Twinning arrangements

Financing sources	*Domestic*	*International*
Payments for ecosystem services	Watershed protection payments	Carbon payments (regulatory and voluntary market)
	Carbon payments	
	Fresh water supply payments	Biodiversity
	Nature-based/eco-tourism	Nature-based/eco-tourism
	Landscape, recreation and other payments for forest services	Bioprospecting

Source: Markku Simula, "Financing flows and needs to implement the non-legally binding instrument on all types of forests" (October 2008), with some adjustments and elaboration.

Table 2
Sustained financing of sustainable forest management

Initial upfront investment	*Mainstreamed upfront investment*	*Sustained financing*
1. Analytical work (drivers of deforestation and forest degradation, barriers to sustainable forest management, payments for ecosystem services market potential, etc.)	1. Implementation of policy reforms (including cross-sectoral impacts on forests)	**Forest products and services**
2. Stakeholder participation and engagement	2. Restructuring of institutions	1. Timber
3. Planning (national forest programmes, specific national strategies, e.g., REDD, bioenergy, forest biodiversity)	3. Land-use zoning, planning and monitoring of land-use change	2. Non-timber forest products
4. Information base (resource assessment, baselines, reference scenarios)	4. Strengthening of forest land tenure (demarcation, titling)	3. Eco-tourism
5. Monitoring and verification system design	5. Strengthening of law enforcement	4. Other services
	6. Restoration of degraded lands and forests	**Payments for ecosystem services schemes**
		1. REDD payments
		2. Sink creation payments (afforestation, reforestation, forest management)
		3. Biodiversity offsets
		4. Landscape offsets
		5. Watershed conservation offsets

Initial upfront investment	*Mainstreamed upfront investment*	*Sustained financing*
6. Safeguards and sustainable forest management guidelines development	7. Strengthening of stakeholder constituencies (smallholders, forest communities, civil society, private sector)	6. Bundled services
7. Initial capacity-building	8. Infrastructure development	
8. Programme and project design	9. Forest protection (fire, pests, diseases, etc.)	
	10. Education, training and extension — smallholders, communities, small and medium enterprises — forest managers	
	11. Research and innovation (silviculture, harvesting, utilization)	
	12. Market-based and other voluntary instruments and implementation of sustainable forest management by smallholders, community forests, small and medium enterprises, etc.	
	13. Company-community/ smallholder partnerships	
	14. Implementation of monitoring and verification systems	

Source: Markku Simula, "Financing flows and needs to implement the non-legally binding instrument on all types of forests" (October 2008).